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REPORT
100-244

TEMPORARY EXTENSION OF THE PUBLIC DEBT LIMIT

JULY 28, 1987.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. ROSTENKOWSKI, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H.R. 3022]

The Committee on Ways and Means, to whom was referred the bill (H.R. 3022) to provide for a temporary extension of the public debt limit, having considered the same, report favorably thereon without amendment, and recommend that the bill do pass.

I. SUMMARY

H.R. 3022 temporarily extends the $2,320 billion debt limit by restoring the temporary increase of $209 billion to the permanent public debt limit of $2,111 billion that was enacted on May 15, 1987 (P.L. 100-40). The extension will go into effect on enactment.

The bill restores the $2,320 billion temporary limit through August 6, 1987. This limit expired on July 17, 1987. The limit provided in this bill has been estimated by the Secretary of the Treasury as sufficient to meet borrowing needs through August 6, 1987.

II. EXPLANATION OF THE BILL

Present Law

The present permanent limit on the public debt is $2,111 billion. A temporary limit of $2,320 billion expired on July 17, 1987.

Reasons for the Bill

The conference report on the budget resolution for fiscal year 1988 estimated that $2,565.1 billion is the appropriate debt limit through Fiscal Year 1988. On adoption of the conference report by the Congress, House Joint Resolution 324, which would raise the public debt limit to the appropriate level, was deemed to have been

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passed by the House. House Joint Resolution 324 presently is the pending order of business in the Senate where the resolution and potential amendments are being debated.

Since the temporary debt limit of $2,320 billion expired on July 17, 1987, the limit on outstanding debt fell to the permanent limit of $2,111 billion. With the lower limit prevailing, the Treasury Department has not been able to reissue maturing debt or to borrow additional funds; under the lower limit, no borrowing may occur until the amount of the outstanding debt has declined below the statutory limit.

As a result, the Treasury Department pays cash from its current operating cash balance to redeem United States debt and other obligations as they come due. Cash payment of $13.7 billion on maturing 90- and 180-day bills on Thursday, July 23, 1987, reduced the operating cash balance to $20.6 billion. An additional $24 billion in outstanding debt will mature and require redemption before August 1, 1987: $13.7 billion in bills on Thursday, July 30, and $10.2 billion in notes on Friday, July 31. The current operating cash balance is not sufficient to allow the Treasury Department to redeem the maturing notes on Friday, July 31, 1987, and the United States probably would default on its debt obligations.

Other obligations, i.e., contracts for goods and services and payrolls, have come due since July 17, which have required payment from current receipts and the cash balance. The continuing daily requirements to pay these obligations also reduce the cash balance and increase the probability of default on Friday, July 31, 1987. In the meantime, the Treasury Department has suspended sales of savings bonds through direct sales or payroll plans and sales of State and local government series (SLGS), and has announced that it will not conduct auctions for sale and reissue of maturing bills and notes before enactment of an increase in the public debt limit.

Even a short lived default by the United States on its debt and contractual obligations would create long-run adverse consequences for its credit standing. By demonstrating through default that it cannot be relied upon to meet its obligations in full when they come due, the United States can expect that creditors and contractors may seek a premium in future financial and other contracts because of the higher risk than in the past that they will not be able to expect timely payment on contractual obligations.

Explanation of the Bill

H.R. 3022 extends the public debt limit of $2,320 billion by temporarily restoring $209 billion to the permanent limit of $2,111 billion, from the date of enactment through August 6, 1987. The temporary level is sufficient to enable the Secretary of the Treasury to manage the nation's finances through this period until a permanent debt limit which is consistent with the recently approved budget resolution may be enacted.

During the period from August 13 through 31, about $62 billion in short-term bills and 2- through 5-year notes will mature. Neither the debt limit nor the operating cash balance will make it possible for Treasury to meet these obligations through August. Therefore,

Congress will have to act again on the debt limit before the recess begins on August 8.

III. COSTS OF CARRYING OUT THE BILL AND VOTE OF THE COMMITTEE IN REPORTING THE BILL

Budget Effects

In compliance with clause 7(a) of Rule XIII of the Rules of the House of Representatives, the following statement is made relative to the effect on the revenues of H.R. 3022, as reported:

The committee does not believe that the changes made in the debt limit by this bill will result in any revenue changes, either in the current fiscal year or in any of the five fiscal years following that year.

The Treasury Department agrees with this statement.

Committee Vote

In compliance with clause 2(l)(2)(B) of Rule XI of the Rules of the House of Representatives, the following statement is made relative to the vote by the committee on the motion to report the bill. The bill was ordered favorably reported by a voice vote.

IV. OTHER MATTERS REQUIRED TO BE DISCUSSED UNDER HOUSE RULES

In compliance with clauses 2(l)(3) and 2(l)(4) of Rule XI of the Rules of the House of Representatives, the following statements are made with respect to committee's action on H.R. 3022 as reported:

Oversight Findings

With regard to subdivision (A) of clause (2)(l)(3), the committee advises that its awareness of a prospective default by the United States on July 31, 1987, led to the conclusion that an extension of the temporary public debt limit is mandatory at the present time until an appropriate permanent public debt limit can be enacted that will enable the Treasury Department to reissue outstanding debt as it matures and to make payments for interest due on the public debt and for other authorized government operations from the general fund.

New Budget Authority and Tax Expenditures

In compliance with subdivision (B) of clause 2(l)(3), the committee states that the changes made by the bill provide no new budget authority and no new increased tax expenditures.

Consultation with Congressional Budget Office on Budget Estimates

With respect to subdivision (C) of clause 2(l)(3), the committee advises that no estimate has been prepared by the Director of the Congressional Budget Office relative to the provisions of H.R. 3022.

Oversight by Committee on Government Operations

With respect to subdivision (D) of clause 2(l)(3), the committee advises that no oversight findings or recommendations have been submitted to the committee by the Committee on Government Operations regarding the subject matter of the committee bill.

Inflationary Impact

In compliance with clause 2(l)(4) of Rule XI, the committee states that the debt limitation change is not expected to have an inflationary impact on prices and costs in the operation of the national economy.

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

ACT OF MAY 15, 1987

AN ACT To provide for a temporary increase in the public debt limit

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) during the period beginning on the date of the enactment of this Act and ending on [July 17, 1987] *August 6, 1987,* the public debt limit set forth in subsection (b) of section 3101 of title 31, United States Code, shall be equal to $2,320,000,000,000.

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